to conduct additional CDRs. Under the proposal, the benefit savings from removing those who are no longer disabled from the disability rolls are credited to a newly established CDR account in the disability insurance [DI] trust fund. It would operate as follows:

No later than September 1 of each year, the Commissioner of Social Security would estimate the present value of DI trust fund savings for all future years resulting from cessation of benefit payments during the prior year based on CDRs. the Commissioner would certify these savings to the managing trustee of the DI trust fund.

Upon receiving the Commissioner's certification, the managing trustee would transfer to the CDR account from amounts otherwise in the DI trust fund a portion of these estimated savings. This amount would vary depending on the CDR account balance but could not exceed 50 percent of estimated savings. No later than September 15 of each year, the Commissioner would certify to the managing trustee the expenditures required to perform mandated CDRs during the coming fiscal year. These expenditures would include the cost of staffing, training, purchase of medical and other evidence, and processing related to appeals and overpayments.

Upon commencement of the fiscal year, the managing trustee would make available to the Commissioner from the CDR account, to the extent that funds were available, the amount that the Commissioner certified as necessary to perform mandated CDRs during that year. These funds could then be used by the Social Security Administration to perform the required CDRs.

SLOVENIA: A MODEL FOR EASTERN EUROPE

HON. JAMES L. OBERSTAR

OF MINNESOTA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, May 9, 1995

Mr. OBERSTAR. Mr. Speaker, on February 16 I stood on the floor of this House, during debate on the NATO expansion bill, and asked that any efforts to bring Eastern Europe into the Western community not ignore the former Yugoslav Republic of Slovenia.

A country of just over 2 million people, independent for less than 4 years, Slovenia has successfully thrown off the economic shackles of the Socialist Yugoslav system and is leading the newly emergent countries of Eastern Europe and the Balkan States in conversion to a free and open market economy.

In per capita terms, Slovenia is the 20th largest exporter in the world, exporting over $7 billion in goods each year, which accounts for 60 percent of Slovenia's GNP. Slovenia now enjoys a lively trade with the United States, shipping $229 million worth of goods to the United States each year and importing some $180 million in United States goods annually.

It is with great pride, then, Mr. Speaker, as a Slovenian-American, that I return to the floor today to bring my colleagues more accolades over Slovenia's accomplishments. This time, the praise comes from none less than the Journal of Commerce, which headlined an April 6 editorial "A Model for Eastern Europe." I commend this article to my colleagues and to the leadership of our various executive branch departments. I ask that you remember to include Slovenia and its hard working, enterprising people when making decisions on our country's future relationship with the transitional economies and governments which have replaced the former Communist regimes of Eastern and central-southeastern Europe.

[From the Journal of Commerce, April 6, 1995]

A MODEL FOR EASTERN EUROPE

(By Timothy Ashby)

Eastern Europe has had its share of bad news recently. Painful economic reforms and factional strife in Russia, political turmoil in Poland, continuing ethnic warfare in parts of former Yugoslavia—all have made Western businessmen cautious about trade and investment in the region.

Yet one small country, Slovenia, has emerged as an economic and political model for the old socialist bloc. Slovenia's accomplishments over the past year read like a wish list for its neighbors.

1994 exports were more than 14% greater than the previous year, and now account for 60.4% of gross domestic product. Manufacturing production increased 6.8% last year while unemployment fell 1.5%.

The tolar, Slovenia's national currency, appreciated 11% against the deutsche mark in 1994. The country has a very low debt service ratio of only 5.5%.

At $6,957, Slovenia has the highest GDP per head of all former socialist bloc republics in Eastern Europe, nearly twice that of the Czech Republic. GDP grew more than 5% in 1994 and the country enjoyed a healthy current account surplus of $2.6 billion at the end of last year.

Foreigners made direct investments of $72.3 million last year.

Three factors account for Slovenia's success. The first is its geographical location. Lying at the crossroads of Western and Eastern Europe, Slovenia borders European Union members Italy on the west, Austria on its northern border, Hungary to the northeast and the Republic of Croatia to the east and south. Slovenia also has a coast on the Adriatic Sea, where the major Port of Koper serves as a gateway for international seaborne trade with all of Central Europe.

The second factor is political stability. Prime Minister Janez Drnovsek presides over a Western European-style coalition government. Slovenia is a healthy young democracy, with parties in its Parliament running the gamut from Christian Democrats and Greens to reformist communists.

Despite rivalry between the parties, an unusually high degree of consensus over economic policy has been achieved, a fact foreign investors find reassuring. All sides are committed to the transformation to a Western-style market economy, but also to maintaining a strong social safety net and to forcing money-losing state enterprises to become competitive in the private sector.

Slovenia's carefully conceived strategy for creating a modern free market economy is the third reason for its success. The government has adopted a gradualist approach to economic restructuring, striking a pragmatic middle ground between the Czech Republic's shock therapy methods and the meandering reforms undertaken by some former Soviet republics.

To lessen the political and social impact of widespread redundancies, privatization has been undertaken at a slower pace than in other former socialist countries. The government occasionally intervenes and provides help to ailing companies by guaranteeing finance-for-debt rescheduling in return for moderation in dividend distribution and wage increases.

By the end of 1994, a quarter of all Slovenia's state-owned enterprises had been privatized. The process will be accelerated during 1995 to achieve the goal of placing 50% to 65% of public assets in private hands. Preference is given to privitization via management and employee buyouts. While initially criticized by some as a method that would do little to attract foreign capital and technology, many privatized companies have established joint ventures both domestically and internationally. As a result, Slovenia has not suffered from a lack of investment in new plant and capital equipment.

Domestic savings play a major role in the modernization of Slovenia's industrial sector. The growth in all areas of demand has stimulated a continuous expansion in industrial capacity. Much of this is fueled by the capital city's Ljubljana Stock Exchange, which together with the rest of the private financial services sector contributes 3.2% of the country's GDP. Slovenia's growing number of financial institutions, as well as its beautiful Alpine landscape, justify its nickname, "the Switzerland of Eastern Europe."

Compared to many of its neighbors, where red tape can seriously impede foreign direct investment, Slovenia has implemented one of the least restrictive investment climates in Eastern Europe. Foreign investments in any form enjoy full national treatment—that is, they have the same status as Slovene legal entities. All sectors of the economy are open to foreigners operating through joint ventures. Legal entities established and registered in Slovenia, even if they have 100% foreign ownership, may own real estate. The Slovenian Parliament is considering legislation to change real estate and other business-related laws to harmonize them with the EU.

With a 30% flat tax on corporate profits, Slovenia has one of the lowest tax burdens in Europe. The tax rate is further reduced to 20% in the case of reinvestment, which actually lowers the tax rate to 24%. All foreign investors are guaranteed free transfer of profits and repatriation of invested capital, while no restrictions are placed on foreign shareholders in Slovene enterprises who want to transfer their profits abroad in foreign currency.

Germany, Austria and Italy now account for 65.9% of all Slovenian foreign investment. Businessmen in these countries see great profit potential in Slovenia because of its proximity to major markets, its political stability and the high probability that it will become an early member of both the European Union and NATO. U.S. businesses, which account for less than 1% of FDI in Slovenia, have not yet awakened to these investment opportunities. Even Australia, which contributed 2.3% of the country's foreign direct investment in 1994, invested more in Slovenia—with a population of only 2 million—than in giant but strife-torn Russia.

Slovenia's lesson for other developing countries is that political and economic stability can only be attained by a true commitment to democracy and the creation of a free market. As Slovenia rapidly approaches the time when it will be ready for membership in the European Union and NATO, its eastern and western neighbors can point to it as an example of one of the world's great success stories.